

**KENT INTERMEDIATE SCHOOL DISTRICT**

**GRAND RAPIDS, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2006**

# KENT INTERMEDIATE SCHOOL DISTRICT

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# REHMANN ROBSON

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## INDEPENDENT AUDITORS' REPORT

September 22, 2006

Board of Education  
Kent Intermediate School District  
Grand Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **KENT INTERMEDIATE SCHOOL DISTRICT**, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Kent Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Kent Intermediate School District as of June 30, 2006, and the respective changes in financial position thereof and the respective budgetary comparison of each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006, on our consideration of the Kent Intermediate School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kent Intermediate School District's basic financial statements. The combining and individual fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the Kent Intermediate School District's basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, looped initial 'L'.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

To understand our financial statements, you must first know Kent Intermediate School District (Kent ISD) and its purpose.

Created by state legislation in 1962 to serve local schools and act as a liaison between them and the Michigan Department of Education, Kent ISD is one of 57 intermediate school districts across the state. It is known for its regional cooperation and the strength of its programs. Kent ISD is a shared community resource, providing an extensive network of supportive service that helps families and local schools successfully grow preschoolers into graduates and lifelong learners.

Kent ISD offers a wide range of services focused on learning. Kent ISD serves the schools and communities of its 20 traditional public school districts, along with non-public, home schools and charter schools. That means serving nearly 330 schools, 130,000 students and 10,000 educators and staff, with programs and services that would be too resource-intensive or costly to maintain at a district level.

From its highly advanced, career-oriented Kent Career Technical Center (KC/TC), to the adaptive vocational education center-Kent Transition Center (KTC), Kent ISD is helping teach and inspire the young minds of the future throughout the Grand Rapids metropolitan area. As an educational advocate, Kent ISD helps make the needs of children and their schools known to community leaders, legislators, service agencies and media.

Our Educational Service Center (ESC) hosts 40,000 guests each year for training and professional meetings. Under REMC8 (serving the counties of Kent, Ionia and Montcalm) we maintain and distribute approximately 7,700 films for classrooms, provide video streaming, and courier services. Our technology staff serves more than 7,500 teachers each year with equipment training and other services. We also register 1,462 substitute teachers for Kent County schools. Through research and development of effective curriculum, our Kent County Collaborative Core Curriculum (KC4) has been sold throughout the United States.

Our Kent Career/Technical Center (KC/TC) serves over 2,600 students in 24 technical programs, from over 70 public and private high schools in Kent County. KC/TC provides students with quality training in career and technical programs that include technical training, academic integration and alignment with post-secondary education. KC/TC also has satellite programs at Northview High School and at Byron Center High School for Regional Theatre Technology and at Gerald R. Ford International Airport for Aviation Mechanics.

Our Kent Transition Center (KTC) provides a wide variety of entry-level job skills, vocational training and work experience for 425 students who are academically challenged, at-risk, or who need hands-on learning. Approximately 50 area companies serve as KTC partners. The center has been recognized as an *Exemplary School* for its work in adapted vocational training and job placement of students.

Visit our web site at [www.kentisd.org](http://www.kentisd.org) to see what sets us apart.

### ***Reporting the District as a Whole - District-wide Financial Statements***

One of the most important questions asked about Kent ISD is, “As a whole, what is the District’s financial condition as a result of the year’s activities?” The Statement of Net Assets and the Statement of Activities, which appear first in the District’s financial statements, report information on the District as a whole and its activities in a way that helps answer this question. We prepared these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and Statement of Activities report the governmental activities for the District, which encompass all of the District’s services, including instruction, supporting services, and community services. Property taxes, unrestricted state aid and state and federal grants finance most of these activities.

These two statements report the District’s net assets - the difference between assets and liabilities-in the Statement of Net Assets, as one way to measure the District’s financial health, or financial position. Over time, increases or decreases in the District’s net assets - as reported in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District’s operating results; whether the District had a profit or a loss at year end. However, unlike the private-sector, the District’s mission is to strengthen communities by providing leadership for learning, not to generate profits as commercial entities do. The District accomplishes its mission through innovative partnerships, technology, training, professional development and research. It is Kent ISD’s vision to “lead learning.”

### ***Reporting the District’s Most Significant Funds - Fund Financial Statements***

The District’s fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law or by bond covenants. However, the District establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the District’s services are reported in governmental funds. The governmental funds of the District use the following accounting approach:

Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement.

### ***The District as Trustee - Reporting the District’s Fiduciary Responsibilities***

The District is the trustee, or fiduciary for funds it holds for other groups. All of the District’s fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the District’s other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets as of June 30, 2006 and June 30, 2005, respectively:

TABLE 1	Governmental Activities (in millions)	
	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current and other assets	\$ 48.0	\$ 45.4
Capital assets	<u>34.3</u>	<u>34.8</u>
Total assets	82.3	80.2
<b>Liabilities</b>		
Current liabilities	26.8	24.9
Long-term liabilities	<u>.4</u>	<u>.5</u>
Total liabilities	27.2	25.4
<b>Net Assets</b>		
Invested in property and equipment –		
Net of related debt	34.0	34.5
Restricted	17.8	16.9
Unrestricted	<u>3.3</u>	<u>3.4</u>
Total net assets	<u>\$ 55.1</u>	<u>\$ 54.8</u>

The above analysis focuses on the net assets (Table 1). The District's net assets were \$55.1 million at June 30, 2006, and \$54.8 million at June 30, 2005, increasing by \$.3 million in 2006. This increase is due primarily to Kent ISD increasing the vocational education levy, and the continual pursuit of cost efficiencies. Capital assets in 2006 and 2005, net of related debt, totaling \$34.0 million and \$34.5 million respectively, is arrived at by taking the historical cost of the asset and subtracting the accumulated depreciation expense and any debt obligation arising from the assets' purchase. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations. Restricted net assets increased to \$17.8 million in 2006 from \$16.9 million in 2005. The remaining amount of net assets, \$3.3 million in 2006, and \$3.4 million in 2005 was unrestricted.

The \$3.3 million in unrestricted net assets for 2006 represents the *accumulated* results of all past years' operations. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities, we would have \$3.3 million left. The operating results of the District will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the District as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for fiscal years 2006 and 2005.

TABLE 2

	Governmental Activities (in millions)	
	<u>2006</u>	<u>2005</u>
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 75.6	\$ 54.2
Federal grants and entitlements	25.9	25.5
State categoricals	4.9	7.4
Other	4.9	.4
General revenue:		
Property taxes	88.9	81.9
Unrestricted State Aid	2.7	2.8
Other	<u>2.8</u>	<u>4.9</u>
Total revenue	\$205.7	\$177.1
<b>Expenses</b>		
Function/Program Expenses		
Instruction	\$ 12.4	\$ 11.3
Support services	79.5	76.9
Community services	.2	.3
Interdistrict transfers	112.1	93.3
Other	<u>1.1</u>	<u>.8</u>
Total expenses	205.3	182.6
<b>Increase (Decrease) in Net Assets</b>	<u><b>\$ .4</b></u>	<u><b>\$ (5.5)</b></u>

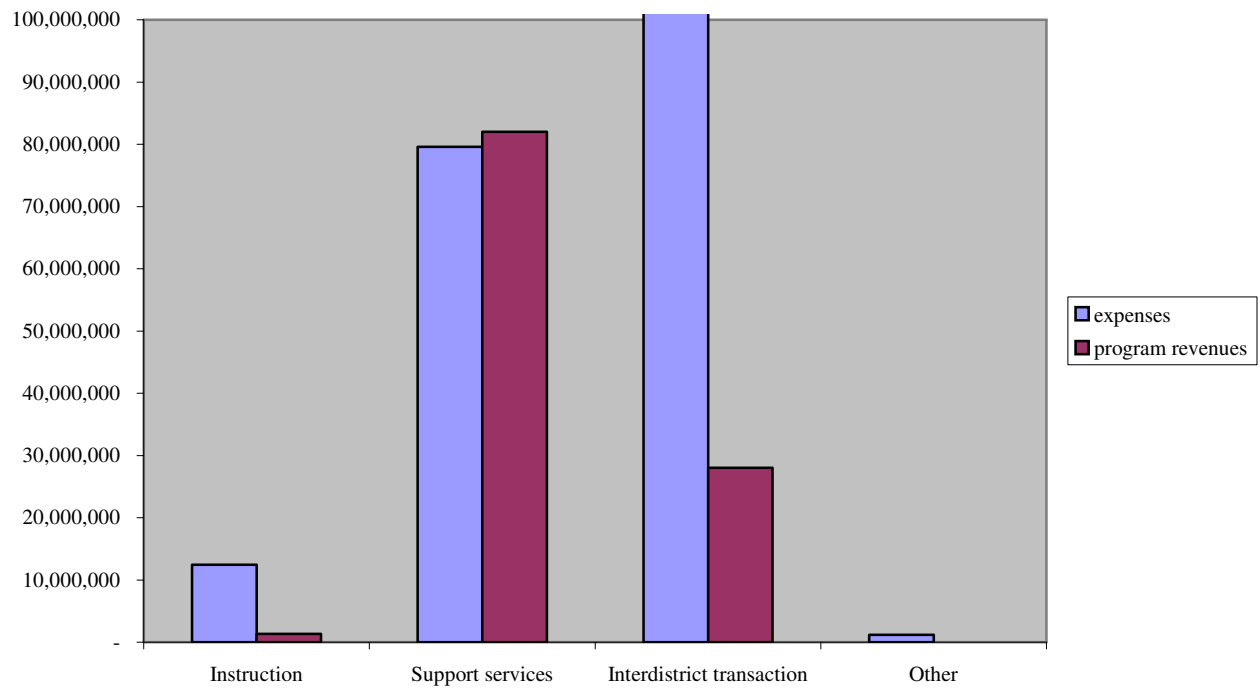
As reported in the Statement of Activities, the cost of all of our *governmental* activities this year was \$205.3 million. Certain activities were partially funded from those who benefited from the programs (\$75.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$35.7 million). We paid for the remaining "public benefit" portion of our governmental activities with \$88.9 million in taxes, \$2.7 million in state aid, and with our other revenues, like interest and general entitlements.

The District's revenue increased in 2006 by \$28.6 million dollars over 2005. The increase is partially due to additional property tax revenue (\$7 million). Charges for services rose by \$21.4 million, as the District recorded as revenue the reimbursement from local school districts for the costs associated with special education transportation. The District's expenses increased in 2006 by \$22.7 million, mainly due to recording outgoing transfers to local districts as expense for the cost of Special Education Transportation. Overall, Kent ISD's transfers to local districts increased by \$18.8 million.

The District experienced an increase in net assets of \$.4 million for fiscal year 2006, meaning that revenue exceeded expenses by this amount. The prior year decrease in net assets was \$5.5 million. Key reasons for the increase in net assets were due to an increase of the operating levy for vocational education.

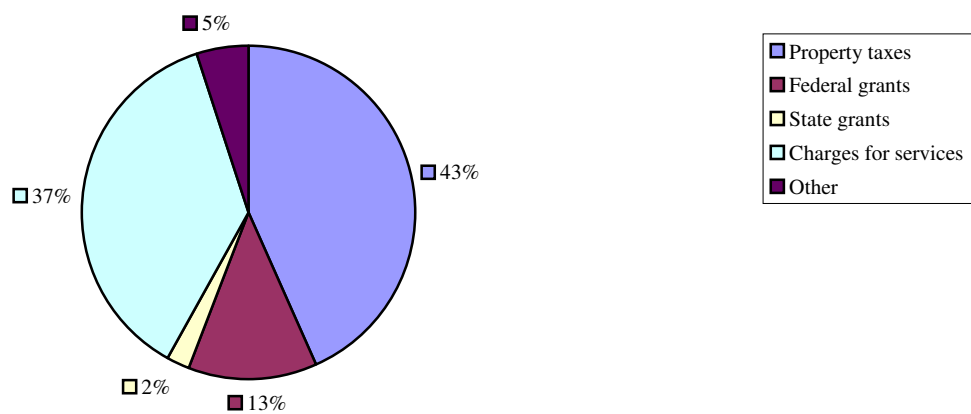
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## Expenses and Program Revenues - Governmental Activities



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## Revenues by Source - Governmental Activities



## **The District's Funds**

As we noted earlier, the District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the District's overall financial health.

The District's overall fund balance increased slightly in 2006, at \$.5 million, as compared to a decrease of \$20.1 million in 2005.

General Fund fund balance is available to meet the costs related to District operating purposes. The current year increase to \$2.7 million from \$2.4 million was the result of budget cuts, including the closing of Howard Christensen Nature Center.

Our Special Revenue Funds showed a net increase of \$1.3 million dollars over the prior year. The main reason for this increase is that our vocational education fund spent \$1.3 million dollars less on capital outlay than in the prior year.

The District does not have any debt obligations other than Durant debt obligations, which are funded by annual State appropriations, accordingly.

The combined Capital Projects Funds fund balance decreased by \$1.0 million as the district completed construction of an additional exit to East Beltline, as well as renovations for Special Education center program buildings. Also, the Act 18 Special Education tax levy had a reduced "capital set aside" for the second year. The set aside is expected to return to the full approved amount for the 2007-2008 fiscal year.

## **General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires the budget be amended to insure expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year-end. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided as a basic financial statement).

There were slight revisions made to the 2005-2006 original budgets. Budgeted revenues were increased \$1.6 million over the original budget, due to reimbursements from local districts for personnel costs incurred by Kent ISD on their behalf (.7 million), as well as unexpected grant revenue of .6 million.

Budgeted expenditures and transfers out were also increased \$1.6 million over the original budget to account for obligations brought about by additional personnel costs incurred by Kent ISD on behalf of our local districts, and to account for the expenditures related to unexpected grants.

Significant variances between the final budget amounts and actual were as follows:

Local Revenues, unfavorable variance of \$566,863, relating primarily to less revenue from the purchase of services we offer to others, such as print shop and workshops.

State and Federal Revenue, unfavorable variances of \$138,555 and \$143,509 respectively, relating to timing differences across fiscal years for grant funds.

Favorable variances in expenses are primarily due to a decrease in spending because of falling revenues. Those decreases affected the following expense categories by these amounts:

Instructional Staff \$445,188

Business Services \$199,442

Central Services \$ 192,189

Pupil Services \$124,728

A favorable variance in incoming transfers is due to the District receiving more indirect revenue related to grants.

## **Capital Asset and Debt Administration**

### ***Capital Assets***

At June 30, 2006, the District had \$57.8 million invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions and deductions but before depreciation) of approximately \$1.4 million, or 2.5 percent, from last year.

	<u>2006</u>	<u>2005</u>
Land	\$ 474,740	\$ 474,740
Construction in progress	45,985	3,191,160
Buildings and Structures	43,896,076	43,353,646
Furniture and equipment	12,692,260	8,734,657
Vehicles	<u>733,377</u>	<u>664,262</u>
Total capital assets	<u>\$57,842,438</u>	<u>\$56,418,465</u>

Additions of \$1,429,559, net of prior year's construction in progress, included vocational education equipment, technology, building renovations and site improvements. No debt was issued for these additions.

At this time, there are no major capital projects planned for the 2006-2007 fiscal year, and there are no outstanding projects for 2005-2006. We present more detailed information about our capital assets in the notes to the financial statements.

### ***Debt***

At the end of this fiscal year, the District had \$300,693 in bonds outstanding, a decrease of \$24,650.

Other obligations include accrued compensated absences, and early retirement incentives. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### **Currently Known Facts, Decisions, or Conditions**

The District is committed to providing its internal and external customers with the tools necessary to complete their tasks in a timely fashion for the benefit of the district's student population. To achieve this task, the District has designed a data warehouse, which is facilitating the compilation and exchange of information needed for reporting and analysis. This data warehouse has cost Kent ISD a little over \$3 million dollars.

The District has entered into an agreement with the Michigan Military Preservation Society and the Kent County Board of Aeronautics for a facility which was built on the grounds of the Gerald R. Ford International Airport. The agreement provides for Kent ISD to lease a portion of this new building for our Aviation Mechanics Program. This program is very popular with Kent ISD Vocational Education students and will give the District an opportunity to expand this program. The total cost of this lease will be almost \$1.3 million and covers a period of 17 years. There are 15 years left on this lease.

Our Board and administration consider many factors when setting the District's 2006/2007 fiscal year budget. One of those factors is estimating the amount of state aid that the State of Michigan will provide for the upcoming year. The board must estimate how the State's revenue shortfalls will be passed along to Kent ISD in the form of decreased funding of grants and categoricals.

Our Board must also consider the ever increasing cost of employee benefits. Estimating what those costs will be for the upcoming year is always a challenge. Kent ISD is now self-insured in some areas, and is hoping to achieve some cost savings as a result of this.

The 2006/2007 budget was adopted in June 2006.

In an effort to be good stewards of taxpayer dollars, the District is involved in several programs which allow the District to take advantage of reduced prices on some goods and services we purchase. Additionally, Kent ISD is one of the charter members of the Michigan School Energy Cooperative (MISEC). This is an energy cooperative of approximately 300 school districts who purchase natural gas and electricity through a bid process. Kent ISD alone saves approximately \$100,000 yearly on the purchase of these two utility commodities through MISEC. Kent ISD has also made modifications internally to promote additional savings on energy by installing sensor switches on room lighting and implementing an awareness program to encourage employees to conserve energy as well. Kent Intermediate School District is committed to finding the most cost effective ways to make efficient use of the resources entrusted to us.

# KENT INTERMEDIATE SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2006

	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 8,194,714
Investments	17,314,756
Accounts receivable	30,720
Due from other governmental units	20,227,153
Inventories	884,738
Prepaid items	1,410,738
Total current assets	<u>48,062,819</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	520,725
Improvements, buildings and equipment	57,321,713
Less accumulated depreciation	(23,528,420)
Total noncurrent assets	<u>34,314,018</u>
Total assets	<u>82,376,837</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	2,984,270
Accrued liabilities:	
Salaries payable	5,099,732
Employee benefits	1,889,325
Interest payable	42,266
Due to other governmental units	14,175,070
Unearned revenue	2,434,665
Internal Balance	-
Bonds payable within one year	117,789
Compensated absences payable within one year	67,044
Total current liabilities	<u>26,810,161</u>
Noncurrent liabilities:	
Bonds payable in more than one year	182,904
Compensated absences/retirement incentive payable	220,511
Total noncurrent liabilities	<u>403,415</u>
Total liabilities	<u>27,213,576</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	34,013,325
Restricted for:	
Special education	3,123,792
Vocational education	6,621,042
Cooperative education	568,186
Capital projects	7,438,427
Unrestricted	3,398,489
Total net assets	<u>\$ 55,163,261</u>

The accompanying notes are an integral part of these financial statements.

# KENT INTERMEDIATE SCHOOL DISTRICT

## Statement of Activities

For the Year Ended June 30, 2006

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:						
Instruction	\$ 12,417,707	\$ 1,284,375	\$ 1,050	\$ 50,925	\$ (11,081,357)	
Supporting services	79,594,385	74,400,778	7,581,770	-	2,388,163	
Community services	269,766	-	22,835	-	(246,931)	
Interest on long-term debt	10,825	-	-	-	(10,825)	
Interdistrict transactions	112,168,969	-	28,012,517	-	(84,156,452)	
Unallocated depreciation	889,443	-	-	-	(889,443)	
Total governmental activities	\$ 205,351,095	\$ 75,685,153	\$ 35,618,172	\$ 50,925	(93,996,845)	
General revenues:						
Property taxes					88,920,582	
State school aid					2,756,529	
Payments received in lieu of taxes and other revenue					2,523,908	
Unrestricted investment earnings					234,518	
Total general revenues					94,435,537	
Change in net assets					438,692	
Net assets, beginning of year, as restated					54,724,569	
Net assets, end of year					\$ 55,163,261	

The accompanying notes are an integral part of these financial statements.

# KENT INTERMEDIATE SCHOOL DISTRICT

## Balance Sheet Governmental Funds

June 30, 2006

	General Fund	Special Education	Regional Vocational Education	Nonmajor Funds	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 948,315	\$ 2,911,097	\$ 2,897,996	\$ 1,007,376	\$ 7,764,784
Investments	1,506,504	6,019,722	3,725,006	6,063,524	17,314,756
Accounts receivable	14,334	-	13,979	2,407	30,720
Due from other funds	276,518	1,255	478,364	-	756,137
Due from other governmental units	903,650	18,545,736	290,249	487,518	20,227,153
Inventories	33,922	-	850,816	-	884,738
Prepaid items	161,161	15,392	76,553	1,125,000	1,378,106
<b>Total assets</b>	<b>\$ 3,844,404</b>	<b>\$ 27,493,202</b>	<b>\$ 8,332,963</b>	<b>\$ 8,685,825</b>	<b>\$ 48,356,394</b>
<b>Liabilities</b>					
Accounts payable	\$ 256,249	\$ 2,394,108	\$ 292,971	\$ 40,942	\$ 2,984,270
Accrued liabilities:					
Salaries payable	202,872	3,934,077	955,882	6,901	5,099,732
Employee benefits	57,916	1,485,088	346,321	-	1,889,325
Due to other governmental units	60,567	13,843,290	90,558	180,655	14,175,070
Due to other funds	196,141	556,438	20,269	5,905	778,753
Deferred revenue	272,336	2,156,409	5,920	444,809	2,879,474
<b>Total liabilities</b>	<b>1,046,081</b>	<b>24,369,410</b>	<b>1,711,921</b>	<b>679,212</b>	<b>27,806,624</b>
<b>Fund balances</b>					
Reserved for:					
Inventories	33,922	-	850,816	-	884,738
Prepaid items	161,161	15,392	76,553	1,125,000	1,378,106
Unreserved:					
Designated -tax tribunals	1,312	50,271	12,600	752	64,935
Undesignated reported in:					
Nonmajor special revenue funds	-	-	-	568,186	568,186
Nonmajor capital projects funds				6,312,675	6,312,675
Undesignated	2,601,928	3,058,129	5,681,073	-	11,341,130
<b>Total fund balances</b>	<b>2,798,323</b>	<b>3,123,792</b>	<b>6,621,042</b>	<b>8,006,613</b>	<b>20,549,770</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,844,404</b>	<b>\$ 27,493,202</b>	<b>\$ 8,332,963</b>	<b>\$ 8,685,825</b>	<b>\$ 48,356,394</b>

The accompanying notes are an integral part of these financial statements.

# KENT INTERMEDIATE SCHOOL DISTRICT

## Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

June 30, 2006

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Fund balances - total governmental funds	\$ 20,549,770
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Amounts reported for governmental activities in the statement of net assets are different because:

Long term receivables are reported as an asset and revenue when earned on the statement of net assets while the governmental funds report these balances as an asset and deferred revenue until the availability criterion for revenue recognition is met.

Add - deferred long-term receivables	444,809
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An internal service fund is used by management to charge the costs of certain activities, such as compensated absences and insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities.

Add - net assets of governmental activities accounted for in the internal service fund	197,623
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	57,842,438
Deduct - accumulated depreciation	(23,528,420)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(300,693)
Deduct - accrued interest on bonds payable	(42,266)

Net assets of governmental activities	<u>\$ 55,163,261</u>
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The accompanying notes are an integral part of these financial statements.

# KENT INTERMEDIATE SCHOOL DISTRICT

## Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

For the Year Ended June 30, 2006

	General Fund	Special Education	Regional Vocational Education	Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>					
Local sources	\$ 3,307,324	\$ 78,080,486	\$ 18,192,963	\$ 776,533	\$ 100,357,306
State sources	3,170,860	17,947,899	1,170,729	310,320	22,599,808
Federal sources	608,095	23,958,276	1,392,880	-	25,959,251
Interdistrict	729,530	55,947,504	-	260,480	56,937,514
	<u>7,815,809</u>	<u>175,934,165</u>	<u>20,756,572</u>	<u>1,347,333</u>	<u>205,853,879</u>
<b>Expenditures</b>					
Current:					
Instruction	30,076	-	11,477,714	-	11,507,790
Supporting services	7,544,053	60,498,559	9,334,752	-	77,377,364
Community service	45,845	223,921	-	-	269,766
Other services	21,001	34,916	259,498	644,163	959,578
Interdistrict transfers to locals	471,545	111,549,334	148,090	-	112,168,969
Debt service:					
Principal	-	-	-	24,650	24,650
Interest	-	-	-	11,112	11,112
Capital outlay	146,732	10,748	965,779	1,847,008	2,970,267
	<u>8,259,252</u>	<u>172,317,478</u>	<u>22,185,833</u>	<u>2,526,933</u>	<u>205,289,496</u>
Revenues over (under) expenditures	<u>(443,443)</u>	<u>3,616,687</u>	<u>(1,429,261)</u>	<u>(1,179,600)</u>	<u>564,383</u>
<b>Other financing sources (uses)</b>					
Transfers in	1,940,812	-	2,718,598	22,286	4,681,696
Transfers out	(1,127,680)	(2,423,810)	(1,072,706)	(57,500)	(4,681,696)
	<u>813,132</u>	<u>(2,423,810)</u>	<u>1,645,892</u>	<u>(35,214)</u>	<u>-</u>
Net changes in fund balances	369,689	1,192,877	216,631	(1,214,814)	564,383
Fund balances, beginning of year	2,428,634	1,930,915	6,404,411	9,221,427	19,985,387
<b>Fund balances, end of year</b>	<u>\$ 2,798,323</u>	<u>\$ 3,123,792</u>	<u>\$ 6,621,042</u>	<u>\$ 8,006,613</u>	<u>\$ 20,549,770</u>

The accompanying notes are an integral part of these financial statements.

# KENT INTERMEDIATE SCHOOL DISTRICT

## Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2006

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Net change in fund balances - total governmental funds	\$ 564,383
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	1,429,559
Deduct - depreciation expense	(1,947,377)
Deduct - net disposal of capital assets	(683)

Revenues in the statement of activities that provide economic resources regardless of the date of receipt are recorded when measurable and available in the fund statements

Deduct - change in deferred long-term receivables	(75,861)
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Internal service funds are used by management to charge the costs of certain personnel costs to individual funds. The net increase in the net assets of the internal service funds are reported with governmental activities

Add - net income for the internal service fund	197,623
--	---------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term debt	24,650
--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the statement of revenues, expenditures and changes in fund balances.

Add - decrease in the accrual for compensated absences	246,111
Add - decrease in accrued interest payable on bonds	287

Change in net assets of governmental activities	<u>\$ 438,692</u>
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The accompanying notes are an integral part of these financial statements.

# KENT INTERMEDIATE SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual General and Major Special Revenue Funds

For the Year Ended June 30, 2006

	General Fund			
	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 3,542,531	\$ 3,874,187	\$ 3,307,324	\$ (566,863)
State sources	2,911,261	3,309,415	3,170,860	(138,555)
Federal sources	664,873	751,604	608,095	(143,509)
Interdistrict	17,500	790,284	729,530	(60,754)
Total revenues	7,136,165	8,725,490	7,815,809	(909,681)
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	49,227	40,990	30,076	(10,914)
Adult continuing education	-	-	-	-
Student instruction and added needs	-	-	-	-
Supporting services:				
Pupil services	692,977	1,580,676	1,393,903	(186,773)
Instructional staff	2,451,062	2,829,014	2,383,826	(445,188)
General administration	560,778	614,014	551,143	(62,871)
School administration	-	-	-	-
Business services	1,538,845	1,568,845	1,369,403	(199,442)
Operation and maintenance	367,414	364,424	368,356	3,932
Transportation services	-	-	-	-
Central services	1,620,759	1,669,611	1,477,422	(192,189)
Other services	14,800	60,206	21,001	(39,205)
Community service	21,900	21,928	45,845	23,917
Interdistrict transfers to locals	481,054	596,273	471,545	(124,728)
Capital outlay	43,300	139,777	146,732	6,955
Total expenditures	7,842,116	9,485,758	8,259,252	(1,226,506)
Revenues over (under) expenditures	(705,951)	(760,268)	(443,443)	316,825
<b>Other financing sources (uses)</b>				
Transfers in	1,582,265	1,763,758	1,940,812	177,054
Transfers out	(1,149,255)	(1,143,850)	(1,127,680)	16,170
Total other financing sources (uses)	433,010	619,908	813,132	193,224
Net changes in fund balances	(272,941)	(140,360)	369,689	510,049
Fund balances, beginning of year	2,428,634	2,428,634	2,428,634	-
<b>Fund balances, end of year</b>	<u>\$ 2,155,693</u>	<u>\$ 2,288,274</u>	<u>\$ 2,798,323</u>	<u>\$ 510,049</u>

The accompanying notes are an integral part of these financial statements.

Special Education Fund				Vocational Education Fund			
Budget Amounts		Actual	Variance with Final Budget	Budget Amounts		Actual Amounts	Variance with Final Budget
Original	Final			Original	Final		
\$ 75,175,549	\$ 77,230,388	\$ 78,080,486	\$ 850,098	\$ 16,907,709	\$ 18,302,818	\$ 18,192,963	\$ (109,855)
12,578,988	16,672,029	17,947,899	1,275,870	850,000	850,000	1,170,729	320,729
25,040,143	25,204,301	23,958,276	(1,246,025)	1,314,971	1,402,158	1,392,880	(9,278)
6,095,989	44,732,800	55,947,504	11,214,704	-	-	-	-
118,890,669	163,839,518	175,934,165	12,094,647	19,072,680	20,554,976	20,756,572	201,596
-	-	-	-	1,364	1,364	-	(1,364)
-	-	-	-	527,995	277,082	153,123	(123,959)
-	-	-	-	9,868,549	11,414,655	11,324,591	(90,064)
1,872,746	39,739,410	39,351,570	(387,840)	2,223,133	2,205,672	2,059,121	(146,551)
834,109	958,779	879,143	(79,636)	2,121,540	1,947,833	1,631,354	(316,479)
147,500	221,840	121,671	(100,169)	134,008	267,498	219,652	(47,846)
-	-	-	-	1,488,155	1,443,018	1,403,801	(39,217)
227,250	523,650	497,338	(26,312)	197,900	169,295	197,808	28,513
350,669	383,448	397,152	13,704	3,292,373	3,468,850	3,178,228	(290,622)
15,140,681	18,009,113	19,026,013	1,016,900	79,200	74,700	89,870	15,170
224,721	227,622	225,672	(1,950)	771,097	640,005	554,918	(85,087)
-	50,000	34,916	(15,084)	91,500	311,548	259,498	(52,050)
278,863	264,897	223,921	(40,976)	22,373	-	-	-
97,346,463	101,120,920	111,549,334	10,428,414	424,088	158,545	148,090	(10,455)
33,000	33,000	10,748	(22,252)	1,149,900	1,149,900	965,779	(184,121)
116,456,002	161,532,679	172,317,478	10,784,799	22,393,175	23,529,965	22,185,833	(1,344,132)
2,434,667	2,306,839	3,616,687	1,309,848	(3,320,495)	(2,974,989)	(1,429,261)	1,545,728
-	-	-	-	2,747,999	2,758,445	2,718,598	(39,847)
(2,169,935)	(2,306,839)	(2,423,810)	(116,971)	(1,080,000)	(1,080,000)	(1,072,706)	7,294
(2,169,935)	(2,306,839)	(2,423,810)	(116,971)	1,667,999	1,678,445	1,645,892	(32,553)
264,732	-	1,192,877	1,192,877	(1,652,496)	(1,296,544)	216,631	1,513,175
1,930,915	1,930,915	1,930,915	-	10,983,386	10,983,386	6,404,411	(4,578,975)
\$ 2,195,647	\$ 1,930,915	\$ 3,123,792	\$ 1,192,877	\$ 9,330,890	\$ 9,686,842	\$ 6,621,042	\$ (3,065,800)

# KENT INTERMEDIATE SCHOOL DISTRICT

## Statement of Net Assets Internal Service Fund

June 30, 2006

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	Employee Benefits Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 429,930
Due from other funds	22,616
Prepaid expenses	32,632
	<hr/>
Total current assets	485,178
	<hr/>
<b>Liabilities</b>	
Current liabilities:	
Compensated absences payable within one year	67,044
Noncurrent liabilities:	
Compensated absences, net of current portion	220,511
	<hr/>
Total liabilities	287,555
	<hr/>
<b>Net assets</b>	
Unrestricted	\$ 197,623
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

# KENT INTERMEDIATE SCHOOL DISTRICT

## Statement of Revenues, Expenses and Changes in Fund Net Assets Internal Service Fund

For the Year Ended June 30, 2006

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	<b>Employee Benefits Fund</b>
	<hr/>
<b>Operating revenues</b>	
Charges for services	\$ 3,585,659
<b>Operating expenses</b>	
Personnel services	<hr/> 3,400,488
Operating income	185,171
<b>Non operating revenues</b>	
Interest income	<hr/> 12,452
Change in net assets	197,623
Net assets, beginning of year	<hr/> -
<b>Net assets, end of year</b>	<hr/> <hr/> \$ 197,623

The accompanying notes are an integral part of these financial statements.

# KENT INTERMEDIATE SCHOOL DISTRICT

## Statement of Cash Flows Internal Service Fund

For the Year Ended June 30, 2006

	<b>Employee Benefits Fund</b>
<b>Cash flows from operating activities</b>	
Receipts from interfund services provided	\$ 3,873,214
Payments to employees	<u>(3,433,120)</u>
Net cash provided by operating activities	440,094
<b>Cash flows from non-capital financing activities</b>	
Due from other funds	(22,616)
<b>Cash flows from investing activities</b>	
Interest earned on investments	<u>12,452</u>
Net increase in cash and cash equivalents	429,930
Cash and cash equivalents, beginning of year	<u>-</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 429,930</u></u>
<b>Cash flows from operating activities</b>	
Operating income	\$ 185,171
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in operating assets and liabilities which provided (used) cash:	
Prepaid expenses	(32,632)
Compensated absences	<u>287,555</u>
Net cash provided by operating activities	<u><u>\$ 440,094</u></u>

The accompanying notes are an integral part of these financial statements.

# KENT INTERMEDIATE SCHOOL DISTRICT

## Statement of Net Assets Fiduciary Funds

June 30, 2006

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	<b>Private Purpose Trust Robert Scutt Fund</b>	<b>Agency Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 121,903	\$ 198,748
Accounts receivable	-	615
Total assets	121,903	\$ 199,363
<b>Liabilities</b>		
Accounts payable	-	1,798
Due to other governmental units	-	197,565
Total liabilities	-	\$ 199,363
<b>Net assets</b>		
Restricted for scholarships	112,083	
Unrestricted	9,820	
Total net assets	\$ 121,903	

# KENT INTERMEDIATE SCHOOL DISTRICT

## Statement of Changes in Net Assets Fiduciary Fund

For the Year Ended June 30, 2006

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	<b><u>Private Purpose Trust</u></b>
	<b><u>Robert Scutt Fund</u></b>
<b>Additions</b>	
Contributions	\$ 6,851
<b>Deductions</b>	
Scholarship payments	<u>-</u>
Net increase	6,851
<b>Net assets held in trust</b>	
Beginning of year	<u>115,052</u>
<b>End of year</b>	<b><u><u>\$ 121,903</u></u></b>

# KENT INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

Kent Intermediate School District (the “District”) was created by state law and is governed by a five-member Board of Education elected by member districts. The District has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be included in its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from fiduciary activities which are utilized to account for the assets of other entities for which the District acts in an agency capacity. The District had no *business-type activities* during the year ended June 30, 2006.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

#### C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# KENT INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes received within 60 days of year end, expenditure driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Special Education Fund* accounts for monies received from federal, state and local sources which are restricted to instruction and services related to providing special education.

The *Regional Vocational Education Fund* accounts for monies received from federal, state and local sources which are restricted to instruction and services related to providing vocational education.

Additionally, the District reports the following fund types:

The *Special Revenue Fund* accounts for the accumulation and disbursement of resources which are restricted or earmarked for a specific purpose.

The *Capital Projects Funds* account for accumulation and disbursement of resources for the acquisition or construction of capital assets.

The *Debt Service Fund* accounts for accumulation and disbursement of resources for debt service on the Durant bonds which are payable only by state appropriation.

The *Internal Service Fund* accounts for earned, but unused, sick, vacation, and termination benefits that the ISD may be liable for upon employee retirement or termination.

The *Agency Fund* accounts for assets held for other groups and organizations and is custodial in nature.

The *Private-Purpose Trust Fund* accounts for amounts entrusted to the District for scholarship awards.

# KENT INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, unrestricted grants and interest income.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, liabilities and net assets or equity**

#### ***1. Deposits and investments***

The District's cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

Michigan law authorizes the District to deposit and invest in:

- (a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates
- (b) Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

# KENT INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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### 2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”.

### 3. *Inventories and prepaid items*

Inventories, which consist of supplies and lots held for construction are valued at cost. Inventories are recorded as expenditures when consumed rather than when purchased.

Payments made to vendors for services that will benefit periods beyond the District’s fiscal year-end are recorded as prepaid items in both government-wide and fund financial statements.

### 4. *Capital assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Building renovations are capitalized if the cost is greater than \$50,000 per renovation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Equipment	5-15
Vehicles	5-10

### 5. *Compensated absences*

It is the District’s policy to permit employees to accumulate earned but unpaid vacation, sick pay and termination benefits. All employee benefits are accrued when incurred in the internal service fund.

# KENT INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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### **6. *Long-term obligations***

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method.

### **7. *Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary information**

The General and Special Revenue Funds are under formal budgetary control. Budgets adopted by the District are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets displayed in the financial statements consist of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted at the program level. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain local district comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except for internal service funds.

# KENT INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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5. Adoption and amendments of all budgets used by the District are governed by Public Act 621, which was followed for the year ended June 30, 2006. Expenditures may not exceed appropriations at the function level (the legal level of budgetary control). The appropriations resolutions are based on the projected expenditures budget of the District. Any amendment to the original budget must meet the requirements of Public Act 621.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Cash and Investments

The captions on the financial statements relating to cash and cash equivalents and investments are as follows:

	<b>Governmental Activities</b>	<b>Fiduciary Fund</b>	<b>Total</b>
Cash and cash equivalents	\$ 8,194,714	\$ 320,651	\$ 8,515,365
Investments	17,314,756	-	17,314,756
Total	<b><u>\$25,509,470</u></b>	<b><u>\$ 320,651</u></b>	<b><u>\$25,830,121</u></b>

These deposits are in five (5) financial institutions located in Michigan. State policy limits the District's investing options to financial institutions located in Michigan. All accounts are in the name of the District and a specific fund or common account. They are recorded in District records at fair value.

The District's cash and investments are comprised of the following:

Checking/savings accounts	\$ 7,537,124
Investments	18,292,972
Petty cash	25
<b>Total</b>	<b><u>\$25,830,121</u></b>

# KENT INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

The District chooses to disclose its investments by specifically identifying each. As of year-end, the District had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Sweep Investments	n/a	\$8,318,644	n/a
Bank One School Money Market Fund	n/a	1,119,922	AAA Moody's
Huntington Money Market IV	n/a	552,838	n/a
Federal Home Loan Bank	10/12/2007	97,250	AAA S&P
Federal Home Loan Bank	11/20/2006	197,876	AAA S&P
Federal Home Loan Bank	12/04/2007	97,969	AAA S&P
Federal Home Loan Bank	09/29/2006	745,785	AAA S&P
Federal Home Loan Bank	04/13/2007	392,252	AAA S&P
Federal Home Loan Bank	12/28/2007	232,871	AAA S&P
Federal National Mort. Assn.	09/27/2006	348,359	AAA S&P
Federal Home Loan Bank	12/29/2006	493,750	AAA S&P
Federal Home Loan Bank	11/15/2006	297,468	AAA S&P
Federal Home Loan Bank	11/09/2007	223,524	AAA S&P
Huntington Premier Money Market	n/a	4,093,949	n/a
LaSalle Public Funds Money Market	n/a	<u>1,080,515</u>	n/a
		<b><u>\$ 18,292,872</u></b>	

### *Investment and Deposit Risk*

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of the District's specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1 (summary of significant accounting policies). The investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year-end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the District's investment policy. As of year-end, \$9,047,253 of the District's bank balance of \$9,247,253 was exposed to custodial credit risk because it was uninsured and uncollateralized.

# KENT INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. Of the above \$18,292,872 in investments the District has a custodial credit risk exposure of \$11,445,648 because the related securities are uninsured, unregistered and held in the counterparty's trust department's name.

*Concentration of Credit Risk – Investments.* State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1 of the summary of significant accounting policies. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

### B. Capital assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<b>Balance July 1, 2005</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2006</b>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 474,740	\$ -	\$ -	\$ 474,740
Construction in progress	3,191,160	663,833	(3,809,008)	45,985
Total capital assets, not being depreciated	3,665,900	663,833	(3,809,008)	520,725
Capital assets, being depreciated:				
Buildings and structure	43,353,646	542,430	-	43,896,076
Furniture and equipment	8,734,657	3,963,189	(5,586)	12,692,260
Vehicles	664,262	69,115	-	733,377
Total capital assets, being depreciated	52,752,565	4,574,734	(5,586)	57,321,713
Less accumulated depreciation for:				
Buildings and structure	15,926,080	1,146,999	-	17,073,079
Furniture and equipment	5,149,476	735,544	(4,903)	5,880,117
Vehicles	510,390	64,834	-	575,224
Total accumulated depreciation	21,585,946	1,947,377	(4,903)	23,528,420
Net capital assets, being depreciated	31,166,619	2,627,357	(683)	33,793,293
Net governmental activities capital assets	\$34,832,519	\$3,291,190	\$ (3,809,691)	\$34,314,018

# KENT INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities</b>	
Instruction	\$ 759,740
Supporting services	298,194
Unallocated depreciation	<u>889,443</u>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$1,947,377</u></b>

### C. Interfund receivables, payables and transfers

The composition of interfund balances as of June 30, 2006, is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Governmental Funds		
General Fund	\$276,518	\$196,141
Special Education	1,255	556,438
Vocational Education	478,364	20,269
Nonmajor Governmental Funds	-	5,905
Internal Service Fund	<u>22,616</u>	<u>-</u>
<b>Total</b>	<b><u>\$778,753</u></b>	<b><u>\$778,753</u></b>

Interfund balances represent short-term borrowings between funds for cash flow purposes.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The composition of transfers for the year ended June 30, 2006 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	\$1,940,812	\$1,127,680
Special Education	-	2,423,810
Vocational Education	2,718,598	1,072,706
Nonmajor Governmental Funds	<u>22,286</u>	<u>57,500</u>
<b>Total</b>	<b><u>\$4,681,696</u></b>	<b><u>\$4,681,696</u></b>

# KENT INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### D. Excess of Expenditures over Appropriations in Budgetary Funds

During the year ended June 30, 2006, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
<b>General Fund</b>			
Supporting services:			
Operation and maintenance	\$ 364,424	\$ 368,356	\$ 3,932
Other services	21,928	45,845	23,917
Capital outlay	139,777	146,732	6,955
<b>Special Education Fund</b>			
Supporting services:			
Operation and maintenance	383,448	397,152	13,704
Transportation services	18,009,113	19,026,013	1,016,900
Interdistrict transfers to locals	101,120,920	111,549,334	10,428,414
Transfers out	2,306,839	2,423,810	116,971
<b>Vocational Education Fund</b>			
Supporting services:			
Business services	169,295	197,808	28,513
Transportation services	74,700	89,870	15,170

### E. Operating Leases

The District leases equipment under noncancellable operating leases expiring through 2011. Total costs for such leases were \$249,624 for the current year. The future minimum lease payments for these leases are as follows:

<u>Years Ending</u> <u>June 30</u>	<u>Total</u>
2007	\$ 213,160
2008	213,160
2009	213,160
2010	176,348
2011	171,364
<b>Total</b>	<b><u>\$987,192</u></b>

# KENT INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

### F. Long-term liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance June 30, 2006</u>	<u>Due in One Year</u>
1998 School Improvement Revenue Bonds (Durant Settlement), \$509,250 issued, due in amounts ranging from \$27,053 through \$142,440 plus interest at 4.8% payable through 2013 (payable only by an annual State of Michigan appropriation to the District)	\$325,343	\$ -	\$ (24,650)	\$300,693	\$ 117,789
Early retirement incentive	90,000	20,000	(10,000)	100,000	-
Compensated absences	156,111	42,259	(10,815)	187,555	67,044
<b>Total long-term liabilities</b>	<b><u>\$571,454</u></b>	<b><u>\$ 62,259</u></b>	<b><u>\$(45,465)</u></b>	<b><u>\$588,248</u></b>	<b><u>\$ 184,833</u></b>

Compensated absences and the early retirement incentive are generally liquidated from the general, special education and vocational education funds.

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$117,789	\$50,962	\$168,751
2008	27,053	8,709	35,762
2009	28,341	7,421	35,762
2010	29,689	6,071	35,760
2011	31,104	4,658	35,762
2012-2013	<u>66,717</u>	<u>4,802</u>	<u>71,519</u>
<b>Totals</b>	<b><u>\$300,693</u></b>	<b><u>\$82,623</u></b>	<b><u>\$383,316</u></b>

### IV. OTHER INFORMATION

#### A. Public entity risk (insurance) pool self-insurance plan

Kent ISD participates in a public entity insurance pool with other governmental units in the West Michigan Health Insurance Pool (a non-profit corporation). This is a self-insurance fund which provides members with health insurance benefits. The pool was created on July 1, 2005 and organized under Public Act 138 of 1982, as amended, as a governmental group self-insurance pool. Kent ISD began participation in this pool on September 1, 2005. There were no significant reductions in coverage and settlements did not exceed insurance coverage during the fiscal year ended June 30, 2006.

# KENT INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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The pool does not maintain separate funds for members and consequently the ISD's share of the total assets and equity is unknown. Audited financial statements of the fund are available.

### **B. Risk management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2006, the District carried insurance to cover all risks of losses. The District has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

### **C. Property taxes**

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 or December 1 of the following year by the various governmental units within the District. Delinquent real taxes are advanced to the District by the Revolving Tax Funds of the counties within the District.

### **D. Defined benefit pension plan**

#### **Plan Description**

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

#### **Funding Policy**

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

# KENT INTERMEDIATE SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

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The rate from July to September was 14.87% and was 16.43% from October to June of covered payroll. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPERS for the years ended June 30, 2006, 2005, and 2004 were \$7,319,425, \$6,392,351, and \$2,646,962, respectively, equal to the required contributions for each year.

### **Other Postemployment Benefits**

Retirees have the option of health coverage which is funded as part of the above pension contribution. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

### **E. Contingencies**

#### **Federal Grant Programs**

The District participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, not to be material.

### **F. Prior Period Adjustment**

In the year ended June 30, 2006, it was determined that the Robert Scutt Scholarship Fund would be more appropriately presented as a fiduciary fund, instead of a permanent governmental fund as it was presented in the past. The government-wide financial statements do not include fiduciary funds, therefore a prior period adjustment was made to decrease beginning net assets of governmental activities by \$115,052 to reflect this change in presentation.

\* \* \* \* \*

# KENT INTERMEDIATE SCHOOL DISTRICT

## Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2006

	Special Revenue		Capital Projects	
	Cooperative Education	General Education	Special Education	Vocational Education
<b>Assets</b>				
Cash and cash equivalents	\$ 9,356	\$ 59,887	\$ 708,117	\$ 230,016
Investments	531,506	988,449	2,441,455	2,102,114
Accounts receivable	2,407	-	-	-
Due from other governmental units	42,314	-	395	101,850
Prepaid items	-	-	-	1,125,000
Total assets	<u>\$ 585,583</u>	<u>\$ 1,048,336</u>	<u>\$ 3,149,967</u>	<u>\$ 3,558,980</u>
<b>Liabilities</b>				
Accounts payable	\$ 4,591	\$ 32,126	\$ -	\$ 4,225
Salaries payable	6,901	-	-	-
Due to other governmental units	-	-	180,655	-
Due to other funds	5,905	-	-	-
Deferred revenue	-	-	-	101,850
Total liabilities	<u>17,397</u>	<u>32,126</u>	<u>180,655</u>	<u>106,075</u>
<b>Fund balances</b>				
Reserved for:				
Prepaid items	-	-	-	1,125,000
Unreserved:				
Designated for tax tribunals	-	-	752	-
Undesignated	568,186	1,016,210	2,968,560	2,327,905
Total fund balance	<u>568,186</u>	<u>1,016,210</u>	<u>2,969,312</u>	<u>3,452,905</u>
Total liabilities and fund balances	<u>\$ 585,583</u>	<u>\$ 1,048,336</u>	<u>\$ 3,149,967</u>	<u>\$ 3,558,980</u>

---

<b>Debt Service</b>			
<b>Durant</b>		<b>Total</b>	
\$	-	\$	1,007,376
	-		6,063,524
	-		2,407
	342,959		487,518
	-		1,125,000
<hr/>		<hr/>	
\$	342,959	\$	8,685,825
<hr/>		<hr/>	

\$	-	\$	40,942
	-		6,901
	-		180,655
	-		5,905
	342,959		444,809
<hr/>		<hr/>	
	342,959		679,212
<hr/>		<hr/>	

	-		1,125,000
	-		752
	-		6,880,861
<hr/>		<hr/>	
	-		8,006,613
<hr/>		<hr/>	
\$	342,959	\$	8,685,825
<hr/>		<hr/>	

# KENT INTERMEDIATE SCHOOL DISTRICT

## Combining Statement of Revenue, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	Special Revenue		Capital Projects	
	Cooperative Education	General Education	Special Education	Vocational Education
<b>Revenues</b>				
Local sources	\$ 23,373	\$ 40,878	\$ 630,567	\$ 81,715
State sources	218,857	-	4,776	50,925
Interdistrict sources	260,480	-	-	-
Total revenues	502,710	40,878	635,343	132,640
<b>Expenditures</b>				
Current:				
Support services	634,672	-	9,491	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	4,202	243,012	997,603	602,191
Total expenditures	638,874	243,012	1,007,094	602,191
Revenues over (under) expenditures	(136,164)	(202,134)	(371,751)	(469,551)
<b>Other financing sources (uses)</b>				
Transfers in	22,286	-	-	-
Transfers out	(57,500)	-	-	-
Total other financing sources (uses)	(35,214)	-	-	-
Net changes in fund balances	(171,378)	(202,134)	(371,751)	(469,551)
Fund balances, beginning of year	739,564	1,218,344	3,341,063	3,922,456
<b>Fund balances, end of year</b>	<u>\$ 568,186</u>	<u>\$ 1,016,210</u>	<u>\$ 2,969,312</u>	<u>\$ 3,452,905</u>

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<b>Debt Service Durant</b>	<b>Total</b>
\$ -	\$ 776,533
35,762	310,320
-	260,480
35,762	1,347,333
-	644,163
24,650	24,650
11,112	11,112
-	1,847,008
35,762	2,526,933
-	(1,179,600)
-	22,286
-	(57,500)
-	(35,214)
-	(1,214,814)
	9,221,427
\$ -	\$ 8,006,613

# KENT INTERMEDIATE SCHOOL DISTRICT

## Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual Cooperative Education Fund

For the Year Ended June 30, 2006

	Budget		Actual	Variance With Final Budget
	Original	Amended		
<b>Revenues</b>				
Local sources	\$ 8,000	\$ 8,000	\$ 23,373	\$ 15,373
State sources	218,857	218,857	218,857	-
Interdistrict sources	246,964	246,964	260,480	13,516
Total revenues	473,821	473,821	502,710	28,889
<b>Expenditures</b>				
Current:				
Support services	655,686	680,557	634,672	45,885
Capital outlay	65,000	65,000	4,202	60,798
Total expenditures	720,686	745,557	638,874	106,683
Revenue over (under) expenditures	(246,865)	(271,736)	(136,164)	135,572
<b>Other financing sources (uses)</b>				
Transfers in	22,286	22,286	22,286	-
Transfers out	(57,500)	(57,500)	(57,500)	-
Total other financing sources (uses)	(35,214)	(35,214)	(35,214)	-
Net changes in fund balances	(282,079)	(306,950)	(171,378)	135,572
Fund balance, beginning of year	739,564	739,564	739,564	-
<b>Fund balance, end of year</b>	<b>\$ 457,485</b>	<b>\$ 432,614</b>	<b>\$ 568,186</b>	<b>\$ 135,572</b>

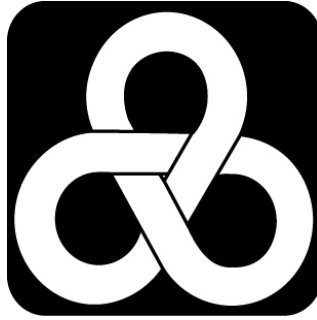
# KENT INTERMEDIATE SCHOOL DISTRICT

## Statement of Changes in Assets and Liabilities Agency Fund

For the Year Ended June 30, 2006

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	Balance			Balance
	June 30, 2005	Additions	Deductions	June 30, 2006
<hr/>				
<b>Assets</b>				
Cash and cash equivalents	\$ 174,967	\$ 1,244,254	\$ 1,220,473	\$ 198,748
Accounts receivable	4,526	63,660	67,571	615
<hr/>				
Total assets	\$ 179,493	\$ 1,307,914	\$ 1,288,044	\$ 199,363
<hr/>				
<b>Liabilities</b>				
Accounts payable	\$ 3,571	\$ 175,077	\$ 176,850	\$ 1,798
Due to other governmental units	175,922	140,413	118,770	197,565
Due to other funds	-	1,278,321	1,278,321	-
<hr/>				
Total liabilities	\$ 179,493	\$ 1,593,811	\$ 1,573,941	\$ 199,363
<hr/>				



**KENT INTERMEDIATE SCHOOL DISTRICT**

**SINGLE AUDIT REPORTS**

**FOR THE YEAR ENDED JUNE 30, 2006**

# KENT INTERMEDIATE SCHOOL DISTRICT

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# REHMANN ROBSON

*Certified Public Accountants*

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An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

September 22, 2006

Board of Education  
Kent Intermediate School District  
Grand Rapids, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Kent Intermediate School District, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kent Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kent Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



# REHMANN ROBSON

*Certified Public Accountants*

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

September 22, 2006

Board of Education  
Kent Intermediate School District  
Grand Rapids, Michigan

### Compliance

We have audited the compliance of Kent Intermediate School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Kent Intermediate School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Kent Intermediate School District's management. Our responsibility is to express an opinion on Kent Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (OMB) Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kent Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Kent Intermediate School District's compliance with those requirements.

In our opinion, Kent Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

#### Internal Control Over Compliance

The management of Kent Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Kent Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Kent Intermediate School District as of and for the year ended June 30, 2006, and have issued our report thereon dated September 22, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Kent Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of subrecipient expenditures of federal awards are presented for purposes of additional analysis as required by OMB Circular A-133 and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Lohman". The signature is written in a cursive, flowing style.

# KENT INTERMEDIATE SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2006

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued or (Deferred) Revenue at July 1, 2005	Adjustments and Transfers	Federal Funds/ Payments In- kind Received	Expenditures	Accrued or (Deferred) Revenue at June 30, 2006
<b>U.S. Department of Education</b>								
<b>Passed through the Michigan Department of Education:</b>								
<b>Special Education Cluster:</b>								
<b>IDEA Flow Through/State Initiated Department:</b>								
Flow Through 050450-0405	84.027	\$ 21,084,216	\$ 21,022,492	\$ 7,138,596	\$ -	\$ 7,200,320	\$ 61,724	\$ -
Flow Through 060450-0506	84.027	21,894,039	-	-	-	16,400,000	21,820,073	5,420,073
State Initiated/Competitive 050490-CB	84.027A	247,661	247,661	11,123	-	11,123	-	-
State Initiated/Competitive 050480-TMT	84.027A	26,780	26,780	15,345	-	15,345	-	-
State Initiated/Competitive 060480-EOSD	84.027A	65,000	-	-	-	65,000	65,000	-
State initiated/Competitive 060490-TS	84.027A	115,000	-	-	-	115,000	115,000	-
Total IDEA Flow Through/State Initiated Department		43,432,696	21,296,933	7,165,064	-	23,806,788	22,061,797	5,420,073
<b>IDEA Preschool:</b>								
Preschool Incentive 050460-0405	84.173	961,818	961,817	286,729	-	286,729	-	-
Preschool Incentive 060460-0506	84.173	947,152	-	-	-	700,000	945,756	245,756
Total IDEA Preschool		1,908,970	961,817	286,729	-	986,729	945,756	245,756
<b>Passed through Michigan Department of Education:</b>								
<b>Infant and Toddler Early Intervention Program:</b>								
Formula Grant 051340-190	84.181	702,895	510,018	63,841	-	256,718	192,877	-
Formula Grant 061340-190	84.181	681,044	-	-	-	530,693	600,667	69,974
Total Infant and Toddler Early Intervention		1,383,939	510,018	63,841	-	787,411	793,544	69,974
<b>Title V :</b>								
Innovative Education Program 040250-0405	84.298	10,035	10,035	4,396	-	4,396	-	-
Innovative Education Program 050250-0405	84.298	111,847	96,524	60,109	-	75,432	15,323	-
Innovative Education Program 050250-0506	84.298	12,460	-	-	-	7,970	7,512	(458)
Innovative Education Program 060250-0506	84.298	82,571	-	-	-	64,242	66,270	2,028
Total Title V		216,913	106,559	64,505	-	152,040	89,105	1,570
<b>Title I</b>								
Regional Assistance Grants 051570-0506	84.010	40,000	-	-	-	40,000	40,000	-
<b>Safe and Drug Free Schools and Communities:</b>								
Drug Free Formula 042860/0405	84.186	252,565	252,565	20,009	-	20,009	-	-
Drug Free Formula 052860/0405	84.186	295,644	295,644	42,810	-	42,810	-	-
Drug Free Formula 052860/0506	84.186	110,172	-	-	-	110,172	110,172	-
Drug Free Formula 062860/0506	84.186	410,181	-	-	-	181,868	301,136	119,268
Total Safe and Drug Free Schools and Communities		1,068,562	548,209	62,819	-	354,859	411,308	119,268
<b>Carl D. Perkins Vocational and Applied Technology Education Act of 1990:</b>								
Regional Allocation-Special Needs 053520/501213	84.048A	1,242,452	1,242,452	36,250	-	36,250	-	-
Regional Allocation-Special Needs 063520/6012-13	84.048A	1,221,947	-	-	-	1,221,947	1,221,947	-
Total Carl D. Perkins Grant		2,464,399	1,242,452	36,250	-	1,258,197	1,221,947	-
<b>Passed through Grand Valley State University:</b>								
Kent Can	84.027A	35,110	32,462	(2,648)	-	-	2,648	-
Kent Can	84.027A	35,000	-	-	-	31,500	35,000	3,500
		70,110	32,462	(2,648)	-	31,500	37,648	3,500
<b>Passed through Ferris State University</b>								
<b>Freedom to Learn</b>								
ISD Support Services	84.318	24,000	2,417	2,417	-	24,000	15,042	(6,541)
<b>Passed through Grand Rapids Community College</b>								
<b>Tech Prep Grant</b>								
Tech Prep Grant	84.243	84,899	84,899	3,319	-	3,319	-	-
Tech Prep Grant	84.243	110,371	-	-	-	84,131	110,371	26,240
Total Tech Prep Grant		195,270	84,899	3,319	-	87,450	110,371	26,240
<b>Total U.S. Department of Education</b>		<b>50,804,859</b>	<b>24,785,766</b>	<b>7,682,296</b>	<b>-</b>	<b>27,528,974</b>	<b>25,726,518</b>	<b>5,879,840</b>

**KENT INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

Program Title/Project Number Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued or (Deferred) Revenue at July 1, 2005	Adjustments and Transfers	Federal Funds/ Payments In- kind Received	Expenditures	Accrued or (Deferred) Revenue at June 30, 2006
<b>U.S. Department of Labor</b>								
<b>Passed through ACSET</b>								
Education Advisory Group	17.259	\$ 41,000	\$ 41,000	\$ 9,256	\$ -	\$ 9,256	\$ -	\$ -
Education Advisory Group	17.259	41,000	-	-	-	41,000	41,000	-
WIA Youth	17.259	20,989	-	-	-	-	16,894	16,894
Total Education Advisory Group		102,989	41,000	9,256	-	50,256	57,894	16,894
<b>U.S. Department of Health and Human Services</b>								
<b>Passed through United Way:</b>								
Literacy Grant	93.577	70,000	17,360	17,360	-	70,000	52,640	-
<b>Passed through the Michigan Department of Education:</b>								
<b>Medicaid Outreach:</b>								
Medicaid Outreach	93.778	N/A	30,706	(1,532,648)	-	546,297	32,711	(2,046,234)
School Based Medicaid 05-06	93.778	86,820	-	-	-	86,820	86,820	-
Total Medicaid Outreach		86,820	30,706	(1,532,648)	-	633,117	119,531	(2,046,234)
<b>Total U.S. Department of Health and Human Services</b>		156,820	48,066	(1,515,288)	-	703,117	172,171	(2,046,234)
<b>U.S. Department of Homeland Security</b>								
<b>Passed through Michigan State Police:</b>								
Homeland Security Grant	97.004	2,668	-	-	-	2,668	2,668	-
Total expenditures of federal awards		\$ 51,067,336	\$ 24,874,832	\$ 6,176,264	\$ -	\$ 28,285,015	\$ 25,959,251	\$ 3,850,500

# **KENT INTERMEDIATE SCHOOL DISTRICT**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2006**

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### **Basis of Accounting**

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all grant requirements have been met.

Expenditures are in agreement with amounts reported in the basic financial statements. Management has utilized the grants section auditors report (form R7120) in preparing the Schedule of Expenditures of Federal Awards. The Medicaid outreach funds which have been deferred at year end are subject to final allowable cost review (back casting). This balance will be recognized as revenue upon completion of the review process.

### **Reconciliation of Basic Financial Statements**

Revenues from federal sources per the June 30, 2006 financial statements agrees with federal revenues from the June 30, 2006 Schedule of Expenditures of Federal Awards.

# KENT INTERMEDIATE SCHOOL DISTRICT

## Schedule of Subrecipient Expenditures of Federal Awards

For the Year Ended June 30, 2006

<u>Program Title/Project Number/Subrecipient Name</u>	<u>CFDA Number</u>	<u>Current Year Cash Transferred to Subrecipient</u>
<b>Clusters:</b>		
<b>U.S. Department of Education</b>		
<b>Passed through the Michigan Department of Education:</b>		
<b>Special Education Fund:</b>		
<b>IDEA Flow Through:</b>		
Flow Through 050450-0405	84.027	
Passed through to:		
Byron Center Public Schools		\$ 132,582
Caledonia Community Schools		150,114
Cedar Springs Public Schools		255,059
Chandler Woods Charter Academy		23,824
Comstock Park Public Schools		118,566
Creative Technologies		2,922
Cross Creek Charter Academy		24,689
East Grand Rapids Public Schools		163,204
Excel Charter Academy		19,885
Forest Hills Public Schools		576,108
Godfrey-Lee Public Schools		112,983
Godwin Heights Public Schools		202,212
Grand Rapids Public Schools		1,980,668
Grandville Public Schools		657,140
Horizons High School		11,116
Kelloggville Public Schools		98,746
Kenowa Hills Public Schools		218,655
Kent City Community Schools		94,565
Kentwood Public Schools		612,900
Knapp Charter Academy		21,153
Learning Center Academy		12,254
Lowell Area Schools		236,879
New Branches Charter Academy		2,786
Northview Public Schools		245,959
Ridge Park Academy		28,488
Rockford Public Schools		387,934
Sparta Area Schools		149,570
Thornapple Kellogg Public Schools		145,834
Vanguard Academy		29,292
Vista Charter Academy		25,268
Walker Charter Academy		17,829
Wm. Abney Academy		7,782
Wyoming Public Schools		402,194
Total Flow Through 050450-0405 :		7,169,160
Flow Through 060450-0506:	84.027	
Passed through to:		
Byron Center Charter		24,571
Byron Center Public Schools		311,974
Caledonia Community Schools		417,150
Cedar Springs Public Schools		417,211
Chandler Woods		71,259

# KENT INTERMEDIATE SCHOOL DISTRICT

## Schedule of Subrecipient Expenditures of Federal Awards (Continued)

For the Year Ended June 30, 2006

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year Cash Transferred to Subrecipient
Flow Through 060450-0506 (Continued):	84.027	
Comstock Park Public Schools		\$ 368,063
Creative Technologies		38,796
Cross Creek		74,113
East Grand Rapids Public Schools		255,145
Excel Charter Academy		60,865
Forest Hills Public Schools		974,195
Gateway Middle/High School		29,744
Godfrey-Lee Public Schools		174,265
Godwin Heights Public Schools		255,195
Grand Rapids Child Discovery Center		18,105
Grand Rapids Public Schools		5,231,495
Grandville Public Schools		562,166
Horizons High School		21,472
Kellogsville Public Schools		169,831
Kenowa Hills Public Schools		615,562
Kent City Community Schools		179,515
Kentwood Public Schools		1,065,774
Knapp Charter Academy		69,731
Lowell Area Schools		384,292
New Branches School		15,518
Northview Public Schools		424,293
Ridge Park Academy		86,376
Rockford Public Schools		644,458
Sparta Area Schools		588,405
Thornapple-Kellog Schools		257,297
Vanguard Academy		70,309
Vista Academy		69,778
Walker Charter Academy		68,857
West Michigan Academy of Environmental Science		43,375
Wm Abney Academy		32,007
Wyoming Public Schools		670,793
Total Flow Through 060450-0506		14,761,955
Flow Through 050490-CB:	84.027A	
Passed through to:		
Grand Rapids Public Schools		53
Kentwood Public Schools		1,069
Lowell Area Schools		2,776
Wyoming Public Schools		1,154
Total Flow Through 050490-CB		5,052
State Initiated/Competitive 050480-TMT:	84.027A	
Passed through to:		
Byron Center Public Schools		581
Cedar Springs Public Schools		186
East Grand Rapids Public Schools		509
Godwin Heights Public Schools		154
Grand Rapids Public Schools		7,666

# KENT INTERMEDIATE SCHOOL DISTRICT

## Schedule of Subrecipient Expenditures of Federal Awards (Continued)

For the Year Ended June 30, 2006

<u>Program Title/Project Number/Subrecipient Name</u>	<u>CFDA Number</u>	<u>Current Year Cash Transferred to Subrecipient</u>
State Initiated/Competitive 050480-TMT:	84.027A	
Passed through to:		
Grandville Public Schools		\$ 1,122
Ionia ISD		3,169
Kent City Community Schools		240
Kentwood Public Schools		286
Lowell Area Schools		759
Montcalm ISD		216
Northview Public Schools		260
Rockford Public Schools		55
Wyoming Public Schools		1,264
Total State Initiated/Competitive 050480-TMT		16,467
Total IDEA Flow Through/State Initiated Department		21,952,634
<b>IDEA Preschool:</b>		
Preschool Incentive 050460-0405:	84.173	
Passed through to:		
Byron Center Public Schools		12,937
Caledonia Community Schools		9,800
Cedar Springs Public Schools		9,142
Chandler Woods Academy		876
Comstock Park Public Schools		6,906
Cross Creek Academy		454
East Grand Rapids Public Schools		4,925
Forest Hills Public Schools		17,017
Godfrey Lee Public Schools		4,850
Godwin Heights Public Schools		8,819
Grand Rapids Public Schools		90,699
Grandville Public Schools		26,998
Kelloggsville Public Schools		2,370
Kenowa Hills Public Schools		8,959
Kent City Community Schools		3,153
Kentwood Public Schools		24,342
Knapp Charter Academy		83
Northview Public Schools		11,150
Ridge Park Academy		428
Rockford Public Schools		21,937
Thornapple Kellogg Public Schools		6,790
Vista Charter Academy		448
Walker Charter Academy		249
William C. Abney Academy		1,905
Wyoming Public Schools		19,455
Total Preschool Incentive 050460-0405		294,692

# KENT INTERMEDIATE SCHOOL DISTRICT

## Schedule of Subrecipient Expenditures of Federal Awards (Continued)

For the Year Ended June 30, 2006

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year Cash Transferred to Subrecipient
<b>IDEA Preschool (Continued):</b>		
Preschool Incentive 060460-0506:	84.173	
Passed through to:		
Abney Academy		\$ 2,731
Byron Center Public Schools		17,466
Caledonia Community Schools		16,514
Cedar Springs Public Schools		17,299
Chandler Woods Charter Academy		1,382
Comstock Park Public Schools		18,116
Creative Technology		455
Cross Creek Charter Academy		4,551
East Grand Rapids Public Schools		4,690
Excel Charter Academy		1,821
Forest Hills Public Schools		44,122
Godfrey-Lee Public Schools		7,834
Godwin Heights Public Schools		15,039
Grand Rapids Public Schools		254,249
Grand Rapids Child Discovery Center		616
Grandville Public Schools		27,904
Kelloggsville Public Schools		14,565
Kenowa Hills Public Schools		20,026
Kent City Community Schools		4,681
Kentwood Public Schools		25,615
Knapp Charter Academy		1,663
Lowell Area Schools		17,982
New Branches		1,365
Northview Public Schools		18,748
Ridge Park Charter Academy		2,217
Rockford Public Schools		36,345
Sparta Area Schools		23,212
Thornapple Kellogg Public Schools		11,939
Vanguard Charter Academy		910
Vista Charter Academy		706
Walker Charter Academy		1,479
West Michigan Academy of Environmental Science		836
Wyoming Public Schools		23,745
Total Preschool Incentive 060460-0506		640,823
Total IDEA Preschool		935,515
Total Special Education Cluster		22,888,149

# KENT INTERMEDIATE SCHOOL DISTRICT

## Schedule of Subrecipient Expenditures of Federal Awards (Continued)

For the Year Ended June 30, 2006

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year Cash Transferred to Subrecipient
<b>Other Awards:</b>		
<b>U.S. Department of Education</b>		
<b>Passed through the Michigan Department of Education:</b>		
<b>General Education Fund</b>		
<b>Title VI:</b>		
Innovative Education Program 050250-0405:	84.298	
Passed through to:		
Adams Street Christian School		\$ 174
Blessed Sacrament		404
Byron Center Christian		162
Calvin Christian High School		357
Calvin Christian Junior High School		5
Catholic Central High School		1,127
Creston-Mayfield Christian School		127
Cutlerville Christian School		306
Dutton Christian Elementary School		1,364
Evergreen Christian Elementary School		10
Grand Rapids Christian High School		467
Holy Trinity Catholic School		85
Holy Trinity Evangelical Lutheran School		33
Immaculate Heart of Mary School		1,273
Immanuel St James Lutheran School		49
Kelloggsville Christian School		20
Millbrook Christian School		80
Montessori Society of Greater Grand Rapids		380
Oakdale Christian School		224
Our Savior Lutheran School		12
Potters House High School		511
Potters House School		819
Rockford Christian School		746
Sacred Heart Catholic School		286
St Patrick Catholic School		(600)
St Paul the Apostle Catholic School		89
St Peter and Paul Catholic School		50
St Thomas Catholic School		19
South Christian High School		54
Sylvan Christian School		275
West Catholic High School		115
Zion Christian School		<u>1</u>
Total Innovative Education Program 050250-0405		<u>9,030</u>
Innovative Education Program 060250-0506:	84.298	
Passed through to:		
Ada Christian School		1,327
Adams Christian School		219
Blessed Sacrament School		681
Byron Center Christian School		(162)
Calvin Christian Elementary School		531
Calvin Christian High School		1,108
Calvin Christian Junior High School		444
Catholic Central High School		2,345
Creston-Mayfield Christian School		548
Dutton Christian		975

# KENT INTERMEDIATE SCHOOL DISTRICT

## Schedule of Subrecipient Expenditures of Federal Awards (Continued)

For the Year Ended June 30, 2006

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year Cash Transferred to Subrecipient
Innovative Education Program 060250-0506:		
Passed through to:		
Cutlerville Christian School		\$ 1,071
Evergreen Christian Elementary School		223
Grand Rapids Christian High School		2,226
Grand Rapids Christian Middle School		948
Grandville Christian School		
Holy Spirit School		1,021
Holy Trinity Catholic School		346
Holy Trinity Evangelical Lutheran		139
Immaculate Heart of Mary		1,020
Immanuel St. James Lutheran School		350
Kelloggsville Christian High School		579
Millbrook Christian School		585
Montessori Society of Greater Grand Rapids		261
North Hills Classical Academy		166
Northpointe Christian Middle/High School		1,590
Oakdale Christian School		594
Our Savior Lutheran School		286
Plymouth Christian High School		652
Plymouth Christian Elementary School		749
Rockford Christian School		483
St. Alphonsus School		468
St. Andrew School		503
St. John Vianney		853
St. Patrick		400
St. Paul the Apostle		613
St. Peter & Paul School		87
St. Thomas School		896
South Christian High School		1,940
Sylvan Christian School		856
Trinity Lutheran School		94
West Catholic High School		1,821
West Side Christian School		1,156
Zion Christian School		402
Total Innovative Education Program 060250-0506		31,394
Total Title VI		40,424
<b>Safe and Drug Free Schools and Communities:</b>		
Drug Free Formula 052860/0506	84.186	
Passed through to:		
Belding Area Schools		3,965
Byron Center Charter		188
Byron Center Public Schools		3,405
Carson City Crystal		3,000
Central Montcalm Public Schools		7,000
Forest Hills Public Schools		12,716
Greenville Public Schools		6,822
Kenowa Hills Public Schools		4,817
Kent City Community Schools		1,059
Lowell Area Schools		270
Montabella Community Schools		3,426
Palo Community School		202
Portland Public Schools		2,687
Sparta Area Schools		6,041
Saranac Community Schools		2,387

# KENT INTERMEDIATE SCHOOL DISTRICT

## Schedule of Subrecipient Expenditures of Federal Awards (Continued)

For the Year Ended June 30, 2006

<u>Program Title/Project Number/Subrecipient Name</u>	<u>CFDA Number</u>	<u>Current Year Cash Transferred to Subrecipient</u>
<b>Safe and Drug Free Schools and Communities:</b>		
Drug Free Formula 052860/0506	84.186	
Passed through to:		
Tri-County Area Schools		\$ 3,637
Vestaburg Community Schools		860
West Michigan Academy of Environmental Science		2,045
		<u>64,527</u>
<b>Safe and Drug Free Schools and Communities:</b>		
Drug Free Formula 062860/0506	84.186	
Passed through to:		
Belding Area Schools		8,742
Byron Center Charter		202
Byron Center Public Schools		3,918
Caledonia Community Schools		7,311
Carson City Crystal		4,557
Cedar Springs Public Schools		10,043
Comstock Park Public Schools		6,945
East Grand Rapids Public Schools		6,143
Forest Hills Public Schools		18,332
Gateway		900
Godfrey Lee Public Schools		4,301
Grandville Public Schools		13,072
Greenville Public Schools		9,370
Ionia County ISD		1,030
Ionia Public Schools		13,925
Kenowa Hills Public Schools		2,643
Kent City Community Schools		2,630
Kentwood Public Schools		24,975
Lakeview Community Schools		7,718
Lakewood Public Schools		8,005
Lowell Area Schools		6,398
Montabella Community Schools		625
Montcalm ISD		400
New Branches		464
Northview Public Schools		7,688
Palo Community School		497
Portland Public Schools		1,964
Rockford Public Schools		16,850
Sparta Area Schools		4,605
Saranac Community Schools		576
Thornapple-Kellogg Schools		6,861
Tri-County Area Schools		3,522
Vestaburg Community Schools		3,804
West Michigan Academy of Environmental Science		579
		<u>209,595</u>
Total Drug Free Formula 062860/0506		
Total General Education Fund		<u>314,546</u>
<b>Vocational Education Fund:</b>		
<b>Carl D. Perkins Vocational and Applied Technology</b>		
<b>Education Act of 1990:</b>		
Regional Allocation-Special Needs 063520/501213	84.048A	
Passed through to:		
Allegan County ISD		146,045
		<u>146,045</u>
Total U.S. Department of Education		<u>23,348,740</u>

# KENT INTERMEDIATE SCHOOL DISTRICT

## Schedule of Subrecipient Expenditures of Federal Awards (Continued)

For the Year Ended June 30, 2006

<u>Program Title/Project Number/Subrecipient Name</u>	<u>CFDA Number</u>	<u>Current Year Cash Transferred to Subrecipient</u>
U.S. Department of Health and Human Services:		
US Department of Health and Human Services- Passed through the Michigan Department of Education Special Education Fund:		
School Based Medicaid 05/06:	93.778	
Passed through to:		
Byron Center Public Schools		\$ 2,133
Caledonia Community Schools		2,083
Cedar Springs Public Schools		5,708
Comstock Park Public Schools		2,676
East Grand Rapids Public Schools		1,107
Forest Hills Public Schools		4,331
Godfrey-Lee Public Schools		4,360
Godwin Heights Public Schools		5,427
Grand Rapids Public Schools		149,496
Grandville Public Schools		5,890
Kelloggsville Public Schools		2,354
Kenowa Hills Public Schools		4,496
Kent City Community Schools		2,956
Kentwood Public Schools		5,843
Lowell Area Schools		3,083
Northview Public Schools		3,966
Rockford Public Schools		1,957
Sparta Area Schools		5,045
Thornapple Kellogg Public Schools		1,534
Wyoming Public Schools		11,066
Total School Based Medicaid 05/06		<u>225,511</u>
Total Special Education		<u>225,511</u>
Total Federal Financial Assistance Provided to Subrecipients		<u>\$ 23,574,251</u>

**KENT INTERMEDIATE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

Type of auditors’ report issued: *Unqualified on financial statements*

Internal controls over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes        X   no

Reportable condition(s) identified not  
considered to be material weaknesses? \_\_\_\_\_ yes        X   none reported

Noncompliance material to financial  
statements noted? \_\_\_\_\_ yes        X   no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes        X   no

Reportable condition(s) identified not  
considered to be material weaknesses? \_\_\_\_\_ yes        X   none reported

Type of auditors’ report issued on compliance  
for major programs: *Unqualified*

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133,  
Section 510(a)? \_\_\_\_\_ yes        X   no

**Identification of Major Programs**

**CFDA Number(s)**

**Name of Federal Program or Cluster**

Cluster

84.027

84.173

Special Education Programs

Preschool Programs

Dollar threshold used to distinguish

between Type A and Type B programs:   \$ 778,778  

Auditee qualified as low-risk auditee?   X   yes      \_\_\_\_\_ no

**KENT INTERMEDIATE SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2006**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**None**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**None**



# REHMANN ROBSON

*Certified Public Accountants*

*A member of* THE REHMANN GROUP

An Independent Member of Baker Tilly International

September 22, 2006

Board of Education  
Kent Intermediate School District  
Grand Rapids, Michigan

In planning and performing our audit of the financial statements of Kent Intermediate School District for the year ended June 30, 2006, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following paragraphs summarize our comments and suggestions regarding those matters. This letter does not affect our report dated September 22, 2006 on the financial statements of Kent Intermediate School District.

## **INTERNAL SERVICE FUND ACCOUNTING**

We noted during our audit that an Internal Service Fund was created during the year to account for various activities within Kent Intermediate School District such as insurance charges, flex plan charges, and a compensated absences accrual. Through our testing procedures, we noted that the payouts for compensated absences and the accrual for compensated absences were not being accounted for appropriately and consistently. We recommend that management implement an internal plan to ensure that the inflows and outflows of the internal service fund are properly recorded in the district's accounting system.

We noted prior to the end of fieldwork that the District recorded the appropriate adjustments to the Internal Service Fund and had developed an internal plan to properly record activity in the Internal Service Fund.

We would like to thank staff of the District for their assistance and cooperation during the audit. We look forward to working with you on future engagements.

This information is intended solely for the use of the Board of Education and management of Kent Intermediate School District and is not intended to be and should not be used by anyone other than these specified parties.